

2003-2005 HECB Operating and Capital Budget Guidelines For Public Colleges and Universities

October 2001

PURPOSE OF THE OPERATING AND CAPITAL BUDGET GUIDELINES

The Higher Education Coordinating Board (HECB) is required by statute (RCW 28B.80.330(4)) to “review, evaluate and make recommendations” on the operating and capital budget requests of the public colleges and universities. To prepare for these recommendations, the HECB must adopt and distribute budget guidelines in December of each odd-numbered year. The Board’s budget recommendations are to be based on the following:

- The role and mission statements of the public institutions;
- The state’s higher education goals, objectives, and priorities as identified in the comprehensive master plan; and
- Guidelines that describe the Board’s fiscal priorities.

The intent of these directions is for the Board, together with the institutions, to identify and recommend budget proposals to help achieve the state’s higher education goals. As in the past, these operating budget guidelines are designed to help integrate the Master Plan priorities into the 2003-2005 institution budget requests and, ultimately, into the HECB operating budget recommendations for higher education.

THE 2003-2005 OPERATING BUDGET PRIORITIES AND GUIDELINES

The 2003-2005 Operating Budget Process

The HECB plans to discuss its 2003-2005 operating budget recommendations in two parts:

1. to clarify and re-affirm its long-standing budget and policy commitments; and
2. to clearly focus on a limited number of specific priorities for enhancements.

The Board’s continuing commitments and values will be described as “**budget principles**.” The specific enhancement goals will be described as “**2003-2005 budget priorities**.” The principles are not expected to change greatly over time, but the fiscal priorities for each biennial budget will change as they are successfully addressed or as the state’s higher education environment evolves.

The HECB's budget principles reflect the long-standing values of the Board as reflected in the Master Plan, and form the basis to discuss the state's biennial higher education budget. The Board has identified four principles, each of which represents a separate area of investment. These budget principles are inter-related and of equal importance and priority:

- ***Carry-Forward or "Maintenance" Level Budget***

The Legislature should fully fund the carry-forward budgets of the colleges and universities to provide a foundation of educational quality. The colleges and universities should be able to rely on consistent and predictable levels of state financial support. In return for this predictability, colleges and universities should be prepared to demonstrate the reallocations and efficiencies they have achieved in their ongoing operations. This "core" funding is critical to the ability of the public colleges and universities to meet the state's need for a well-educated citizenry whose members actively contribute to the state's quality of life.

- ***Enrollment Increases***

Increases in enrollment should reflect an incremental approach to the 2010 enrollment goal of the 2000 Higher Education Master Plan that the Board re-examined at the Legislature's request. Enrollment increases should include lower-division slots at the community and technical colleges and baccalaureate institutions, and upper-division and graduate/professional enrollments at the baccalaureate schools. Enrollment levels should respond to three forces: projected population growth, the need for more education and training, and recent enrollment experience. Enrollment increases should provide for more traditional core programs and more student capacity in specific programs.

- ***Adequate Funding of Financial Aid Programs Consistent with State Tuition Policy***

Linking financial aid and tuition is important to make college costs as affordable and predictable as possible. The state should keep tuition rates affordable and, at least, preserve the current level of aid to needy students. The state should increase financial aid funding to keep pace with tuition and enrollment increases. As enrollment grows and tuition and other costs rise, state financial aid makes college a reality for many students who would not otherwise attend college.

- ***Faculty and Staff Compensation Levels***

Competitive salaries should be provided at a level necessary to recruit and retain employees with the skills, knowledge, and experience to meet the needs of students and to fulfill the role and mission of each institution. The quality of higher education institutions is inextricably related to the quality of the faculty and staff who teach, conduct research, and perform public service and other activities.

The 2003-2005 biennium fiscal priorities are proposals that address specific system-wide issues for the next biennium to implement the policies and goals of the higher education Master Plan. The Board's preliminary priorities are to:

1. Improve student preparation, participation, retention, and completion based on the issues identified in the Master Plan and in the Board's May 2001 report, "*Postsecondary Opportunity and Achievement in Washington.*"
2. Improve student transfer and articulation among the public two- and four-year sectors of higher education to help more students reach their educational goals.
3. Support new and expanded academic and vocational programs that help strengthen the state's economy. High-demand fields such as nursing, engineering, computer engineering, technology, teacher training, and research need more graduates. The Board will work with the colleges and universities and labor market specialists to identify fields where there is both strong enrollment pressure from students and a reasonable expectation that jobs will be available for skilled graduates. Well-educated citizens trained in fields related to the state's "new economy" contribute to their communities socially and culturally as well as economically.
4. Improve the transition of students and strengthen the connections between K-12 schools and higher education. The Board will support programs that build on K-12 education reform and provide students the opportunity to enter higher education and receive degrees based on their knowledge and skills.

The Board's 2003-2005 operating budget recommendations also will recognize the differences in the role and mission of each public college and university. The Board expects to review budget requests that reflect the unique educational and fiscal circumstances of specific institutions. These proposals may not be directly related to the Board's statewide policies and goals, but they may be very important to particular institutions and their students. The budget guidelines assume that the Governor and Legislature will evaluate these unique proposals outside the framework of the Board's statewide priorities.

Linking Master Plan Goals with Fiscal Priorities

The Board's budget recommendations will reflect the goals established in the 2000 Master Plan, and the Board will work with the colleges and universities to identify links between the Master Plan goals and the institutions' specific budget proposals.

One of the goals in the 2000 Master Plan is to enhance student opportunity through greater use of e-learning technologies. Educational technology is an increasingly powerful tool that can reach students who might otherwise not be able to participate in higher education, and it can improve the programs of all students. In reviewing budget proposals for the 2003-2005 biennium, the

HECB will support innovative and well-documented proposals to use e-learning technology to accomplish the budget priorities.

Similarly, the overview presented in the recent HECB report, *“Postsecondary Opportunity and Achievement in Washington,”* outlines a number of challenges in improving the preparation, participation, and completion of all students. The HECB will support budget proposals that offer a high likelihood of success in addressing these challenges.

Forms and Formats

The HECB will continue to use the basic forms and formats for budget requests the Office of Financial Management (OFM) has prescribed. These forms historically require that operating budget requests be grouped into two separate sections:

1. the maintenance and carry-forward budget request to carry on the current activities, and
2. proposals for enhancements.

As in the past, the HECB will recognize the carry-forward or maintenance budgets the institutions have developed in cooperation with OFM. This allows the HECB to focus on those items that are most relevant to achieve the fiscal priorities identified in these guidelines. It is clear that adequate maintenance budgets are essential to the ongoing vitality and quality of Washington’s colleges and universities. Because an elaborate process exists to refine the carry-forward budgets, the HECB’s review and analysis will focus mainly on the enhancement requests that relate to fiscal priorities identified for the upcoming biennium.

HECB recommendations are designed to complement the information and requests from the institutions by providing an additional system-wide perspective on the needs of public higher education. As such, HECB review and recommendations should provide additional information that is useful to the Governor and Legislature in budget deliberations.

Timing of Budget Development Activities

HECB’s review of institutional budget requests is based on submissions formally presented by the institutions in September of each even-numbered year. However, it takes many months to develop and discuss institutional budget requests before final recommendations are submitted. As before, the HECB staff will meet regularly and discuss budget information with institution staff to better understand the proposals that will be included in the formal budget requests. Review of enrollment proposals along with recent enrollment experience will be an early focus.

HECB Operating Budget Guidelines Options

Current Approach <i>2001-2003 Biennium</i>		Proposed Approach <i>2003-2005 Biennium</i>
1. Fully funded carry-forward budget	SALARY INCREASES NOT PRIORITIZED	Budget Principles Fully funded carry-forward budget, ample enrollment, financial aid, and compensation
2a. Enrollment (linked) 2b. Financial Aid		
3. Outreach, Diversity		Biennial Priorities 1. Student Preparation, Participation, Retention, Completion 2. Transfer/Articulation within higher education 3. Strengthening the state economy, high-demand programs (not FTEs) 4. Re-design K-12 connections, competency-based admissions/degrees
4. Competency-based Admissions		
5. E-learning Technology		
6. Competency-based Degrees		
7. Other Investments		
TOTAL: Equals ALL Institution Requests		TOTAL: Does NOT Equal All Institution Requests
		Other enhancement proposals, related to an institution's unique role and mission, will be evaluated outside this framework.

Differences:

- Salary increases will be included as a budget principle, rather than presented as a separate item.
- HECB recommendations will be focused on the ongoing budget principles and the 2003-2005 biennium priorities.
- Other enhancement proposals, related to an institution's unique role and mission, will be evaluated outside this framework.

2003-2005 CAPITAL BUDGET PRIORITIES AND GUIDELINES

Priorities and Evaluation Model

The HECB will continue to use the integrated project ranking method developed by the Board for preparing its 2001-2003 capital budget recommendations. The development of this approach was requested by the Chair of the Senate Ways and Means Committee and the Co-Chairs of the House Capital Budget Committee in April 2000.

Attachment A (HECB Capital Project Evaluation Model) provides the priorities and scores to be used in establishing the integrated ranking of requested projects. These priorities are derived from the 2000 Master Plan and reflect the Board's capital budget fiscal priorities for 2003-2005. It is important to emphasize that these priorities are **not considered to be a substitute** or alternative to the institutions' own budget priorities. Rather, these priorities are intended to assist the Legislature and Governor in capital funding decisions by providing an **additional statewide perspective to capital budget needs**.

The policy framework for deriving the integrated prioritized list of the capital projects places the highest priority (Categories 1-4) on protecting and preserving the physical and academic quality of the existing capital assets of the universities and colleges. Following these projects, priority is placed on alleviating existing space shortages and adding capacity for future enrollment demand (Category 5), meeting capital needs for areas of high program demand (Category 6) and supporting investments to promote institutional competitiveness (Category 7). Finally, projects which could be deferred one biennium without jeopardizing safety or program quality are placed in Category 8.

The methodology used to establish the integrated priority list of capital project requests involves assigning a numeric score value to requested projects and then ranking the projects on the basis of the score value. The scores assigned to projects constitute a scale that is associated with the relative priority of the type of project as associated with initiatives contained in the Master Plan.

To arrive at the prioritized list, projects will first be ranked on the score value assigned them through the HECB Capital Project Evaluation Model (Attachment A). Projects with the same score value will then be listed by institution in alphabetical order. When a university or college has more than one project with the same score value, the projects will be ranked in the order of institutional priority.

Capital Budget Review Process

The Board recognizes that the capital budget requests submitted by the public four-year institutions and the State Board for Community and Technical Colleges (SBCTC) represent and reflect complex management and planning processes and choices, requiring considerable effort to develop and prioritize at the institutional level.

To ensure that sufficient time is planned and spent to fully understand institutional capital needs and project requests, a formal process and schedule for the preparation of the Board's capital recommendations will be established for the 2003-2005 budget preparation process.

This process and schedule, summarized below, will require a collaborative and responsive approach in the sharing of preliminary institutional budget request information and HECB budget recommendations.

- ***Capital Needs: Field/Site Review – April and May 2002***

HECB staff will undertake field/site reviews of capital needs in **April and May 2002**. These reviews will be conducted at the institutions' respective campuses or other locations as appropriate. The focus of the review will be on both immediate capital/facility needs and the institutions longer-term capital program plan.

- ***Pre-Submittal: Governor's Capital Plan Update – mid-June 2002***

Institutions and the SBCTC should submit to the HECB, **by mid-June 2002**, a draft update of the prioritized capital projects contained in the Governor's Ten-Year Capital Plan for the 2003-2005 biennium. This information will be requested as a pre-submittal to the official submission of the budget request. The Board will ask baccalaureate institutions and the SBCTC to identify possible requests for deletion of projects currently in the plan, changes in estimated project costs, changes in the priority array, and new projects.

- ***Pre-Submittal Conferences – early July 2002***

Based on the information provided in the update to the Governor's Capital Plan, HECB staff will schedule pre-submittal conferences with the institutions and the SBCTC. The purpose of these conferences, to be held in **early July 2002**, will be to review the underlying policy and planning basis of the institutions and the SBCTC's approach to establishing the priority array of 2003-2005 projects.

- ***Preliminary Project Priorities – mid-July 2002***

The HECB will request baccalaureate institutions and the SBCTC to submit a *preliminary* listing of prioritized capital project requests to the HECB by **mid-July 2002**. HECB staff will recognize that the submitted information is in draft form and does not constitute a public document nor represent an official budget submittal. HECB staff will use the information to understand the magnitude of the 2003-2005 capital request for all of higher education, and to begin the classification of projects within the HECB Investment Categories.

- ***Review of Preliminary HECB Capital Revenue Assumptions and Project Rankings – late July 2002***

HECB staff will invite institutional and SBCTC representatives to attend briefings on the preliminary capital budget revenue assumptions being developed as part of the Board's budget recommendations. Additionally, HECB staff will review the preliminary rankings of projects derived from the integrated project ranking model. These briefings will be scheduled in **late July 2002**.

- ***Capital Budget Submittal – September 2002***

Pursuant to the budget instructions issued by the Office of Financial Management, the institutions and the SBCTC will submit copies of their capital budget requests to the HECB by **September 2002** (tentative date).

- ***Review of Preliminary HECB Staff Recommendations***

Meetings to review the preliminary HECB capital project recommendations will be held with the institutions and SBCTC staff **throughout September** provided that the institutions and the SBCTC have submitted their official budget requests to OFM and the HECB by the established due date.

- ***Review of (proposed) HECB Capital Budget Recommendations***

Each institution and the SBCTC will be provided with the HECB (proposed) 2003-2005 capital budget recommendations at the time that the recommendations are transmitted to the Board and available to the public.

ATTACHMENT A
HECB CAPITAL PROJECT EVALUATION MODEL

MASTER PLAN INITIATIVE	PROJECT TYPE	SCORE
<i>Promote the Efficient and Effective Use of Public Resources in Providing a Quality Learning Environment</i>	1 Unanticipated Repairs and Non-Deferrable Regulatory Compliance	100
	(A) Funding proposals within an omnibus appropriation request to respond to emergent repair and replacement needs potentially arising within the 2001-2003 biennium.	
	(B) Line-item project requests or projects within an omnibus appropriation request whose funding is proposed in response to emergency conditions and/or a law or code that <u>requires</u> compliance within the 2001-2003 biennium to avoid (a) the closure of facilities essential for the delivery of programs and operations, or (b) the assessment of fines or other punitive actions.	
	2 Critical Repairs Omnibus appropriation requests whose deferral would jeopardize: (A) The ability to operate or occupy campus systems and space (B) Compliance with building occupancy codes	98
<i>Reaffirm the State's Commitment to Opportunity in Higher Education</i>	3 Minor Improvements and Equipment Acquisitions	96
	Line-item projects less than \$7.5 million or those projects within an omnibus appropriation request which are needed to sustain an acceptable level of program quality or facility operation.	
	4 Major Replacements, Renovations, and Infrastructure Improvements Renovation, replacement, or upgrade of existing space or infrastructure needed to sustain an acceptable level of program quality for current or projected enrollment.	94
	5 Expanded Capacity Projects	84 – 92
	Projects which support the enrollment goals of the 2000 Master Plan by creating additional capacity at locations:	
	(A) Where existing enrollment is in excess of instructional space capacity	
	Construction Phase Projects	92
	Design Phase Projects	91
	Predesign Phase Projects	90
	(B) Serving regions/programs of near-term projected enrollment demand in excess of existing capacity	
	Construction Phase Projects	89
	Design Phase Projects	88
	Predesign Phase Projects	87
	(C) Where additional capacity will accommodate longer-term regional/program growth/demand needs	
	Construction Phase Projects	86
	Design Phase Projects	85
	Predesign Phase Projects	84

ATTACHMENT A
HECB CAPITAL PROJECT EVALUATION MODEL

MASTER PLAN INITIATIVE	PROJECT TYPE	SCORE
<i>Support the Delivery of High-Demand Programs</i>	6 Program Specific Improvements Improvements (renovation or new construction) needed to house high demand vocational/degree programs	80-82 Construction Phase Projects 82 Design Phase Projects 81 Predesign Phase Projects 80
<i>Support Institutional Competitiveness</i>	7 General Improvements Improvements (renovation or new construction) or acquisitions needed to support "mission critical" space and infrastructure needs	76-78 Construction Phase Projects 78 Design Phase Projects 77 Predesign Phase Projects 76
<i>Prioritize Expenditures Within Recognized Fiscal Constraints</i>	8 Other Improvements Line-item projects which could be deferred one biennium without jeopardizing: (A) The ability to operate or occupy campus systems and space (B) Compliance with building accessibility and occupancy codes (C) Program accreditation (D) An acceptable level of program quality or facility operations (E) Near- or longer-term enrollment demand	74

RESOLUTION NO. 01-33

WHEREAS, The Higher Education Board (HECB) is required by statute (RCW 28B.80.330(4)) to review, evaluate, and make recommendations on the operating and capital budget requests from four-year institutions and the community and technical college system; and

WHEREAS, These recommendations are to be based upon role and mission statements of the institutions; the state's higher education goals, objectives, and priorities; and a comprehensive master plan; and

WHEREAS, The Higher Education Coordinating Board is also required by statute to distribute budget guidelines which outline the Board's fiscal priorities to the institutions by December of each odd-numbered year; and

WHEREAS, The Washington State Legislature has adopted (Senate Concurrent Resolution 8425) the Comprehensive Master Plan for Higher Education which, as submitted by the Board in January 2000, outlines goals, objectives, and priorities for higher education; and

WHEREAS, The Higher Education Coordinating Board reviewed the *Draft HECB Operating and Capital Budget Guidelines* for the 2003-2005 biennium at its meeting on July 25, 2001, and these draft guidelines have been distributed to the institutions for review and comment, similar to the process employed in the development of budget guidelines for the 2001-2003 biennium; and

WHEREAS, HECB staff has met with the four-year institutions and the State Board for Community and Technical Colleges (SBCTC) staff to discuss the preliminary guidelines; and

WHEREAS, Revisions suggested by the institutions and the SBCTC staff have been incorporated into the final versions of the *2003-2005 HECB Operating and Capital Budget Guidelines for Public Colleges and Universities*;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board approves the *2003-2005 Operating and Capital Budget Guidelines for Public Colleges and Universities*, attached hereto.

Adopted:

October 30, 2001

Attest:

Bob Craves, Chair

Kristianne Blake, Secretary